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December 28, 1995

Mr. Vernon A. Williams
Secretary
Interstate Commerce Commission
Washington, D.C. 20423

Dear Mr. Williams:

Enclosed for recordation pursuant to the provisions of 49 U.S.C. Section 11303(a) are two copies each of the following three documents: (1) a Master Equipment Lease Agreement, (2) an Equipment Lease Schedule for Master Equipment Lease Agreement (the "Equipment Lease Schedule") and (3) a Bill of Sale, each dated as of December 28, 1995, the first being a primary document and the others all being secondary documents related thereto, as defined in the Commission's Rules for the Recordation of Documents under 49 C.F.R. Section 1177.

The names and addresses of the parties to the enclosed documents are:

Master Equipment Lease Agreement
and
Equipment Lease Schedule

Lessor: Heller Financial Leasing, Inc.
500 West Monroe Street
Chicago, Illinois 60661

Lessee: Duluth, Missabe and Iron Range Railway Company
135 Jamison Lane
Monroeville, Pennsylvania 15146

Counters parts - J. Williams



Interstate Commerce Commission
Washington, D.C. 20423-0001

12/28/95

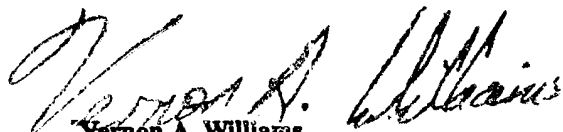
Office Of The Secretary

Robert W. Alvord
Alvord And Alvord
918 Sixteenth Street, NW., Ste. 200
Washington, DC., 20006-2973

Dear Sir:

The enclosed document(s) was recorded pursuant to the provisions of Section 11303 of the Interstate Commerce Act, 49 U.S.C. 11303, on 12/28/95 at 4:35PM, and assigned recordation number(s). 19851-19851-A and B.

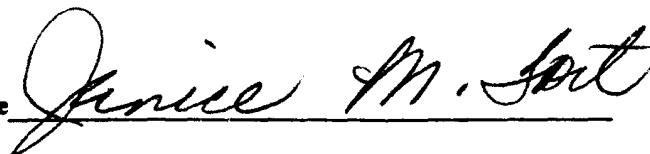
Sincerely yours,


Vernon A. Williams
Secretary

Enclosure(s)
(0100908020)

\$ 63.00 The amount indicated at the left has been received in payment of a fee in connection with a document filed on the date shown. This receipt is issued for the amount paid and in no way indicates acknowledgment that the fee paid is correct. This is accepted subject to review of the document which has been assigned the transaction number corresponding to the one typed on this receipt. In the event of an error or any questions concerning this fee, you will receive a notification after the Commission has had an opportunity to examine your document.

Signature



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MASTER EQUIPMENT LEASE AGREEMENT

THIS MASTER EQUIPMENT LEASE AGREEMENT (this "Lease") is dated as of December 28, 1995 and made between **HELLER FINANCIAL LEASING, INC.** ("Lessor"), a corporation organized under the laws of Delaware, having an office at 500 West Monroe Street, Chicago, Illinois 60661, and **DULUTH, MISSABE AND IRON RANGE RAILWAY COMPANY** ("Lessee"), a corporation organized under the laws of Delaware, having its chief executive office at 135 Jamison Lane, Monroeville, Pennsylvania 15146.

1. Lease Agreement. Subject to the terms and conditions hereinafter set forth, Lessor shall lease to Lessee, and Lessee shall hire from Lessor, the units of personal property (collectively with all attached parts, replacements, additions, accessories and accessories attached thereto, the "Equipment") described in one or more equipment schedules (each a "Schedule") which incorporate by reference this Master Equipment Lease Agreement. Each Schedule shall constitute a separate and independent lease and contractual obligation of Lessee. Until a Schedule is duly signed and delivered by Lessor, a Schedule signed and delivered by Lessee constitutes an irrevocable offer by Lessee to lease the Equipment described in such Schedule from Lessor. Nothing contained herein shall obligate Lessor to execute a Schedule.

2. Term of Lease; Rentals and Deposit. The lease term with respect to Equipment covered by a Schedule shall consist of an "Interim Term" and a "Base Term" as provided in the Schedule covering such Equipment. Lessee shall pay rent for the Interim Term ("Interim Rent") as provided and in amounts determined by Lessor as set forth in the applicable Schedule, and shall pay rent for the Base Term ("Base Rent") in such amounts and at such times as shall be specified in the applicable Schedule. Lessee agrees to pay Lessor on demand a late charge on all Interim Rent, Base Rent and all other amounts payable to Lessor under any provision of this Lease or any Schedule, in each instance, which is not paid within 10 days of the date due hereunder or thereunder equal to the lesser of (i) five percent (5%) of the amount not timely paid and (ii) the maximum amount permitted by applicable law.

3. Location and Use of Equipment. Lessee shall use, operate, protect, and maintain the Equipment in compliance with all applicable insurance policies, laws, ordinances, rules, regulations and manufacturer's instructions. Lessee shall not, through modifications, alterations or any other method, impair the originally intended function of any Equipment without the prior written consent of Lessor. Any replacement or substitution of parts, improvements, or additions to the Equipment made by Lessee shall become and remain the property of Lessor. Lessee shall keep the Equipment free and clear of any and all liens, encumbrances, claims and charges (except for those created expressly by Lessor) and shall not in any way encumber its rights hereunder or under any Schedule. Upon Lessor's request from time to time, Lessee shall advise Lessor promptly of the then current location of the Equipment.

4. Taxes. Lessee agrees to pay and does hereby indemnify, on an after-tax basis, Lessor against all income, sales, use, personal property, ad valorem, value added, leasing, stamp or other taxes, levies, imposts, fees, duties, charges or withholdings of any nature, including all license and registration fees, together with any penalties, fines or interest thereon (collectively, "Impositions") arising out of the transactions contemplated by this Lease (including the acquisition of any item of Equipment prior to the Base Term Commencement Date as defined in the applicable Schedule) and imposed against Lessor, Lessee, this Lease (including any Rent) or the Equipment by the United States or any state or political subdivision thereof or any foreign government or taxing authority, excluding, however, any Impositions based on or measured by the net income of Lessor imposed by the United States or any state or political subdivision thereof. Lessee shall timely make all required personal property filings and/or listings and shall pay all Impositions when due. Upon Lessor's request, Lessee will immediately furnish to Lessor such information as Lessor shall require in connection with the preparation and filing of all returns relating to such taxes, assessments, or charges.

5. Net Lease

(a) Each Schedule is a net lease. All costs, expenses and other liabilities associated with the Equipment shall be borne by Lessee. Lessee's obligations under any and all Schedules are absolute and unconditional, and are not subject to any abatement, deferment, reduction, setoff, defense, counterclaim or recoupment for any reason whatsoever. Except as otherwise expressly provided herein, no Schedule shall terminate nor shall the obligations of Lessee be affected, by reason of any defect or damage to, or any destruction, loss, theft, forfeiture, government requisition or obsolescence of the Equipment, regardless of cause.

(b) Lessee assumes all risk of damage to or loss, theft or destruction of the Equipment from any cause whatsoever from the date the Equipment is accepted into service. In the event of damage of any kind whatsoever to any item of the Equipment on or after its acceptance by Lessee, Lessee shall promptly place the same in good repair, condition and working order. If the Equipment is lost, stolen, destroyed or damaged beyond repair (an "Event of Loss"), Lessee shall pay Lessor the Stipulated Loss Value therefor, together with all rent and other amounts due and owing under the Lease. Such payment shall be due on the first to occur of (x) the end of the Term with respect thereto or (y) the Base Rent payment date following such Event of Loss. Upon such payment, the Lease of such Equipment shall terminate and Lessee thereupon shall become entitled to such item of the Equipment "As Is and Where Is" without warranty, express or implied, with respect to any matter whatsoever. The Stipulated Loss Value of any Equipment shall be determined by Lessor in accordance with the provisions of the Schedule covering such Equipment. Proceeds of insurance may be available for repair or payment of the Stipulated Loss Value, in accordance with Section 6 hereof.

6. Insurance. Lessee shall, at its own expense, procure and maintain the following insurance coverages on the Equipment until the Equipment is returned to Lessor or until Lessee's obligations with respect thereto under any applicable Schedule are otherwise terminated: (i) insurance against theft, fire and such other risks as Lessor shall specify or

(absent any written specification by Lessor) as are customarily insured against in Lessee's trade or industry under policies naming Lessor as the named loss payee and (ii) comprehensive public liability (including property damage) in an amount of at least \$3 million per occurrence or such greater amount as may comply with general industry standards, or such greater amount as Lessee may maintain, or in such other amounts as Lessor may from time to time require, under policies naming Lessor as additional insured. Each such insurance policy shall: (a) provide that such policy may not be modified, terminated or canceled unless Lessor is given at least thirty (30) days' advance written notice thereof, (b) provide that the coverage is "primary coverage" for the protection of Lessee and Lessor notwithstanding any other coverage carried by Lessee or Lessor protecting against similar risks or liabilities and (c) be issued in such amounts (which in the case of casualty insurance will never be less than the greater of the fair market value or Stipulated Loss Value of the Equipment covered thereby), with such deductibles, by such insurance company and otherwise in such form as shall all be reasonably satisfactory to Lessor. Lessee shall furnish Lessor with certificates or other satisfactory evidence of such insurance and shall furnish Lessor with a renewal certificate for each policy at least ten (10) days before the policy renewal date. Lessor shall have no duty to examine the certificate or other evidence of insurance, or to advise Lessee in the event that its insurance is not in compliance with this Section 6. If an Event of Default shall have occurred and shall be continuing, Lessee hereby appoints Lessor as Lessee's agent and attorney-in-fact with full power to do all things (including but not limited to making, adjusting, and settling claims and receiving payments and endorsing documents, checks or drafts) necessary or advisable to secure payment due under any insurance policy contemplated hereby.

7. General Indemnities. Lessee hereby agrees to indemnify, save, protect, defend and keep harmless Lessor, and its agents, directors, employees, successors and assigns, from and against any and all losses, damages (including indirect, special or consequential damage) harm, expenses, including legal fees (and a reasonable allocation of the compensation, costs and expenses of internal counsel), penalties, injuries, claims, actions and suits, of whatsoever kind and nature, in contract, tort or otherwise, whether caused by the active or passive negligence of Lessor or otherwise and including Lessor's strict liability in tort, in any way arising out of or in connection with the selection, modification, purchase, acceptance, rejection, ownership, delivery, lease, possession, maintenance, use, condition (including latent or other defects, whether or not discoverable by Lessor or Lessee, and any claim for patent, trademark or copyright infringement), return of, or operation of any Equipment prior to its return date or relating to any default by Lessee or Event of Default. Notwithstanding any provision of this Lease to the contrary, Lessee shall not be required to indemnify, save, protect, defend and keep harmless Lessor against any claim, demand or liability to the extent that it: (a) is imposed for any period, or with respect to any act or event first occurring, after the expiration or earlier termination of this Lease and the satisfaction of all of the obligations of Lessee hereunder, including the obligation to return the Equipment as required herein and in Rider 1 (Return Provisions), (b) arises from a breach by Lessor of any material representation, warranty or agreement made by Lessor in this Lease; (c) results from a voluntary disposition by Lessor of all or any part of its interest in the Equipment (other than as permitted by the terms of this Lease) or results from an involuntary disposition thereof in connection with any bankruptcy or other proceeding for relief of debtors in which such Lessor is the debtor or any

other foreclosure by a creditor of Lessor with respect thereto other than a bankruptcy or other proceeding caused by an Event of Default hereunder by Lessee.

8. Tax Treatment.

(a) All references to "Lessor" in this Section 8 shall include each member of the affiliated group of corporations, as defined in Section 1504 (a) of the Internal Revenue Code of 1986, as amended the "Code", of which Lessor is a member.

(b) Lessor and Lessee agree that Lessee shall be treated for federal, state and local income tax purposes as the owner of the Equipment and shall be entitled to take into account in computing its income tax liabilities, all items of income, deduction, credit, gain or loss relating to ownership of the Equipment as are provided under the Code and applicable state and local laws to owners of similar equipment.

9. Delivery, Acceptance and Return of Equipment.

(a) Upon delivery to and acceptance by Lessee of any Equipment, Lessee shall execute and deliver the Schedule relating to such Equipment, identifying the same and acknowledging receipt thereof, with all information required on the Schedule fully completed. Lessee's execution of such Schedule shall constitute acceptance of delivery of such Equipment and Lessee's acknowledgment that such Equipment is in good operating order, repair, condition and appearance, is of the manufacture, design and capacity selected by Lessee and is suitable for the purposes for which such Equipment is leased.

(b) Subject to the provisions of any applicable Schedule, at the expiration of the lease term with to any Equipment, including any renewal thereof, upon demand Lessee shall, at its own expense, return such Equipment to Lessor, in the same operating order, repair, condition and appearance as when received, ordinary wear and tear excepted and otherwise comply with the terms of Rider 1 (Lease Return Provisions) attached hereto. Lessee shall pay for any repairs required to place the Equipment in such condition. Subject to the provisions of any applicable Schedule, if upon such expiration or termination Lessee does not immediately return an item of Equipment to Lessor, such item shall continue to be held subject to all the terms and conditions hereof, and Base Rent and other charges shall continue to accrue and be payable hereunder with respect to such item until it is returned to Lessor. Payment or acceptance of any such rent or other charge shall not be deemed a waiver of any default and shall not suspend or otherwise affect any right or remedy hereunder including without limitation Lessee's obligation to return immediately (and Lessor's right to take immediate possession of) any such item.

10. Maintenance and Service Improvements. (a) Lessee shall, at its expense, at all times maintain, service and repair each item of Equipment as would a prudent owner thereof, and in any event so as to keep each item in good operating condition, ordinary wear and tear excepted, in compliance with all applicable laws, rules, regulations, and manufacturer's and/or refurbisher's recommended basic warranty, extended warranty and/or maintenance programs,

notice, either (i) cause such right to be waived or eliminated to the satisfaction of Lessor or (ii) otherwise stay such action or indemnify Lessor to Lessor's satisfaction.

14. Default and Remedies.

(a) Each of the following shall constitute an event of default hereunder and under any and all Schedules then in effect (each an "Event of Default"): (1) nonpayment when due of any installment of rent or other sum owing by Lessee hereunder or under any Schedule hereto between Lessor and Lessee if such nonpayment continues for ten (10) days, (2) Lessee's failure to perform and comply with any other provision or condition hereunder or under any Schedule hereto if such failure continues for thirty (30) days after written notice thereof by Lessor to Lessee, (3) Lessee's attempt to sell, lease or encumber any item of the Equipment without Lessor's prior written consent, or the sublease of the Equipment in violation of Section 16, or the attachment of any lien to any such item in favor of any one other than Lessor, or any attempted levy, seizure or attachment on such item, (4) any representation or warranty made by Lessee or Transtar, Inc. ("Guarantor") to Lessor hereunder or under any Schedule, certificate, agreement, instrument or other statement including income and financial statements, proves to have been incorrect in any material respect when made, (5) Lessee's or Guarantor's general assignment for the benefit of creditors or commencement of any voluntary case or proceeding for relief under the Bankruptcy Code or any similar state law, or any other present or future law for the relief of debtors, or the taking of any action to authorize or implement any of the foregoing, (6) the filing of any petition or application against Lessee or Guarantor under any present or future law for the relief of debtors, including proceedings under the Bankruptcy Code or any similar state law or for the subjection of property of debtors to the control of any court, receiver or agency for the benefit of creditors if such petition or application is consented to by Lessee or Guarantor or not dismissed within sixty (60) days from the date of filing, (7) the attempted repudiation of any guaranties for obligations of Lessee to Lessor, including by Guarantor (8) the Pension Benefit Guaranty Corporation's commencement of proceedings under Section 4042 of the Employee Retirement Income Security Act of 1974 to terminate any employee pension benefit plan of Lessee or Guarantor, (9) a default shall occur by Guarantor under the Guaranty of even date herewith made by Guarantor to Lessor.

(b) Upon the occurrence of an Event of Default, Lessor may at its option:

(i) proceed by appropriate court action to enforce performance by Lessee of its obligations hereunder or to recover damages for breach thereof;

(ii) take possession of any item of Equipment, wherever located, without notice, legal process, prior Judicial hearing, or liability for trespass (WHICH RIGHTS LESSEE HEREBY VOLUNTARILY, INTELLIGENTLY AND KNOWINGLY WAIVES) and thereafter hold, sell, operate or lease such item free of claims of Lessee, except as set forth below;

(iii) by notice to Lessee, terminate this Lease and declare all Rent then owing to Lessor hereunder immediately due and payable (whereupon Lessee shall promptly pay the same);

(iv) demand immediate payment of the Stipulated Loss Value of the Equipment as liquidated damages for the remaining term (whereupon Lessee shall promptly pay the same); and

(v) pursue any other remedy available to Lessor at law or in equity.

(c) Lessor and Lessee agree that an amount equal to the Stipulated Loss Value of the Equipment represents a reasonable return for the use of the Equipment and for the depreciation thereof, and shall be the basis for liquidated damages for the remaining term for which the Lessee shall be liable to the Lessor upon default. Any amounts realized by Lessor on account of the Equipment subsequent to Lessor's taking possession thereof pursuant to Section 14(b) shall, after reimbursement to Lessor of all its expenses incurred in connection therewith, including reasonable legal fees (and a reasonable allocation of the compensation, costs and expenses of internal counsel, based upon time spent), be credited to amounts of Stipulated Loss Value and all other Rent owing by Lessee hereunder or, if such Stipulated Loss Value and all other Rent has been paid, paid to Lessee. In the event Lessee pays to Lessor the Stipulated Loss Value and accrued but unpaid Rent within ten (10) days after the Event of Default, Lessor shall not be entitled to exercise its remedies under Sections 14(d) and/or (e) below.

(d) If Lessor elects not to sell, re-lease, or otherwise dispose of all or any part of the Equipment, and holds such Equipment for the Lessee for the remaining Term, Lessor may recover, in addition to all Rent accrued and unpaid as of the date of Lessor's recovery of possession of the Equipment, the present value, as of such date, of the Rent for the remainder of the Term and the Estimated Residual Value respecting such Equipment (which Term shall include, for this purpose, to the extent applicable, any agreed upon renewals which would, in the absence of an Event of Default, extend the Term upon the Lessee's failure to exercise any option to purchase contained in any Schedule). Present value shall be computed using a discount rate equal to six and one-half percent (6.5%).

(e) If Lessor sells, leases, or otherwise disposes of all or any part of the Equipment, Lessor may recover from Lessee, in addition to any Rent accrued and unpaid as of the date of Lessor's recovery of possession of the Equipment, the present value computed by using a discount rate equal to six and one-half percent (6.5%), of the sum of (i) difference between (x) the Rent for the remainder of the Term respecting such Equipment (which Term shall include, for this purpose, to the extent applicable, any agreed upon renewals which would, in the absence of an Event of Default, automatically extend the Term upon the Lessee's failure to exercise any option to purchase contained in any schedule) and (y) except in the case of a substantially similar lease, the market rent determined by Lessor in its sole discretion, or (z) in the case of a lease of Equipment which is substantially similar to this Lease, the total rent for the lease term of such substantially similar lease, plus (ii) the Estimated Residual Value.

and, as otherwise may be required to enforce warranty claims against each vendor and manufacturer of each item of Equipment. To the extent that Lessee's maintenance, repair or servicing standards exceed the foregoing, then Lessee shall keep each item in at least as good condition as other comparable equipment owned or used by Lessee. Lessee shall, if at any time requested to do so by Lessor, affix in a prominent position on each item plates, tags or other identifying labels showing ownership thereof by Lessor.

(b) Any alterations or modifications with respect to any item that may at any time during the Term be required to comply with any applicable law or any governmental or other rule or regulation shall be made by Lessee at its expense, and shall thereupon become the property of Lessor.

(c) Unless required pursuant to Subsection (b), Lessee will not, without Lessor's prior consent, affix or install any accessory, equipment, or device on, or modify, any item if such addition or modification will impair the original function or use thereof or cannot be readily removed without causing damage to such item.

11. Renewal and Purchase. Except as set forth in the applicable Schedule, Lessee may not renew or extend the lease term with respect to any Equipment, nor shall Lessee have any option to purchase such Equipment.

12. Assignment of Warranties and Limitation of Responsibility. Lessee acknowledges that Lessor is not a manufacturer or refurbisher, the agent of a manufacturer or refurbisher or engaged in the sale or distribution of the Equipment and has not made, and does not hereby make, any representations as to title, merchantability, performance, condition, fitness or suitability or any of the Equipment for the purposes of Lessee or make any other representation with respect thereto, all of which are expressly disclaimed. Lessor shall not be liable to Lessee for any loss, claim, liability, cost, damage or expense of any kind caused, or alleged to be caused, directly or indirectly, by any Equipment, or by an inadequacy thereof for any purpose or by any defect therein, or the use or maintenance thereof, or any repairs, servicing or adjustments thereof, or any delay in providing or failure to provide same, or any interruption or loss of service or use thereof, or any loss of business, profits, consequential or other damage of any nature. Lessee agrees that its obligations hereunder shall not in any way be affected by any defect or failure of performance of the Equipment.

13. Personal Property. The Equipment shall remain personal property at all times, and title shall at all times continue in Lessor. As a precaution, Lessee hereby also grants to Lessor a first priority continuing lien and security interest in the Equipment and the proceeds thereof to secure any obligation of Lessee under this Lease, each Schedule hereunder and Rider hereto. Lessee will obtain and record such instruments and take such steps as may be necessary to prevent any person from acquiring any right in any Equipment paramount to the rights of Lessor. If any third party should attempt to establish any legal right in any Equipment, provided that such third party's establishment of any legal right in the Equipment is not attributable in any way to the conduct or action of the Lessor, then Lessee shall, promptly after learning thereof, notify Lessor in writing and, within thirty (30) days after such

(iii) The occurrence of any Event of Default or event which, with the lapse of time or giving of notice or both could become an Event of Default.

(b) Lessee and Guarantor shall, as soon as practicable, but in any event within sixty (60) days after the end of each fiscal quarter, furnish to Lessor unaudited financial statements of Lessee and Guarantor, including in each instance, balance sheets, and income statements on a consolidated basis, and statements of cash flow, as appropriate, and separate profit and loss statements as of and for the quarterly period then ended and for its fiscal year to date, prepared in accordance with generally accepted accounting principles, consistently applied. Lessee shall, as soon as practicable, and in any event within ninety (90) days after the end of each fiscal year, furnish to Lessor, Guarantor's annual audited financial statements, including balance sheets, income statements and cash flow statements for the fiscal year then ended, on a consolidated basis, as appropriate, which have been prepared by its independent accountants. Such audited financial statements shall be accompanied by the independent accountant's opinion, which opinion shall be in form generally recognized as "unqualified".

(c) Lessee represents and warrants that to the best of Lessee's knowledge all information furnished and to be furnished by Lessee and/or Guarantor to Lessor is accurate and that all financial statements Lessee and/or Guarantor has furnished and hereafter may furnish to Lessor, including operating statements and statements of condition, are and will be prepared in accordance with generally accepted accounting principles, consistently applied, and reasonably reflect and will reflect, as of their respective dates, results of the operations and the financial condition of Lessee, Guarantor and of any other entity they purport to cover.

18. Miscellaneous.

(a) Each Schedule is and is intended to be a lease, and Lessee does not acquire hereby or under any Schedule any right, title, equity or other interest in or to any Equipment except the right to use the same under the conditions hereof and under the additional conditions set forth in the applicable Schedule. Lessee waives any right to assert any lien or security interest on Equipment in Lessee's possession or control for any reason.

(b) The relationship between Lessor and Lessee shall always and only be that of lessor and lessee. Lessee shall never at any time for any purpose whatsoever be or become the agent of Lessor and Lessor shall not be responsible for the acts or omissions of Lessee or its agents.

(c) At Lessor's request, Lessee shall execute, deliver, file and record such security agreements, financing statements and other documents as Lessor shall deem necessary or advisable to protect Lessor's interest in the Equipment and to effectuate the purposes of this Lease. Lessee hereby irrevocably appoints Lessor as Lessee's agent and attorney-in-fact for Lessor to execute, deliver, file or record any such item and to take such action for Lessee and in Lessee's name, place and stead for purposes of this Lease.

(f) Time of performance of Lessee's obligations hereunder is of the essence. All remedies of Lessor hereunder are cumulative, and may, to the extent permitted by law, be exercised concurrently or separately, and the exercise of any one remedy shall not be deemed to be an election of such remedy to the exclusion of any other remedy or to preclude the exercise of any other remedy at any other time. However, Lessor is entitled to only one satisfaction. Failure on the part of Lessor to exercise, or delay in exercising, any right or remedy hereunder or Lessor's failure at any time to require performance by Lessee of any of the provisions hereof shall not operate as a waiver thereof, nor shall any single or partial exercise by Lessor of any right or remedy hereunder preclude any other further exercise thereof or the exercise of any other right or remedy. Lessee shall be liable for all expenses incurred by Lessor in exercising the remedies provided hereunder, including, but not limited to, court costs and reasonable attorney's fees, and a reasonable allocation of the compensation, costs and expenses of internal counsel, based upon time spent. Lessee shall pay to Lessor any amounts due under this Section 14 on demand therefor.

15. Assignment By Lessor. Lessor may assign or transfer, and Lessee hereby consents to the assignment or transfer, of all or any part of any Schedule or Lessor's interest in any Equipment without notice to Lessee. Lessor agrees to provide to Lessee notice of such assignment within a reasonable period of time thereafter. Lessor agrees not to assign its interest herein to any Person who is a direct competitor of Lessee or to any employee or group representing employees of Lessee. Lessee acknowledges that no such assignment shall materially change Lessee's duties hereunder or materially increase any burden or risk imposed on Lessee hereunder.

16. Prohibition of Assignment by Lessee. LESSEE SHALL NOT SELL, TRANSFER, ASSIGN, SUBLEASE, CONVEY OR PLEDGE ANY OF ITS INTEREST IN THE LEASE AGREEMENT OR ANY OF THE EQUIPMENT, WITHOUT THE PRIOR WRITTEN CONSENT OF LESSOR. ANY SUCH SALE, TRANSFER, ASSIGNMENT, SUBLEASE, CONVEYANCE, OR PLEDGE, WHETHER BY OPERATION OF LAW OR OTHERWISE, WITHOUT THE PRIOR WRITTEN CONSENT OF LESSOR, SHALL BE VOID, provided that as long as the guaranty of the guarantor shall be affirmed and Lessor receives timely notice, Lessee may assign Lessee's rights to any affiliate of Lessee which is also an affiliate of Guarantor.

17. Financial and Other Data.

(a) Lessee will immediately notify Lessor of:

(i) Each Event of Loss or material accident involving or allegedly involving any Equipment;

(ii) Any lien, claim encumbrance or security interest (a "Lien") (other than a Lessor Lien) which shall have attached to any Equipment; and

(d) Lessor may inspect the Equipment at any time provided that: (i) such inspection does not interfere with or prevent Lessee's use of the Equipment; and (ii) such inspection is during normal business hours at a location designated by Lessee; and (iii) Lessor's representatives are accompanied by employees or other representatives of Lessee at all time during any such inspection. Lessee agrees that it shall provide personnel upon request to so accompany Lessor.

(e) Lessor's rights and remedies with respect to any of the terms and conditions of each Schedule shall be cumulative and not exclusive and shall be in addition to all other rights and remedies in its favor. Lessor's failure to enforce strictly any of the provisions of any Schedule shall not be construed as a waiver thereof or as excusing Lessee from future performance.

(f) The invalidity of any portion of this Lease or any Schedule shall not affect the force and effect of the remaining valid portions thereof.

(g) All notices shall be binding upon the parties hereto if sent to the respective addresses set forth herein, or to such other address as either party may designate in a written notice to the other party. Except as otherwise expressly provided herein, all notices shall be deemed effective when deposited in the United States mail (if sent by registered, certified or first-class mail, postage prepaid) or when received (if sent by any other means).

(h) Except as expressly provided herein, no representation, warranty, promise, guaranty or agreement, oral or written, express or implied, has been made by either party herein with respect to any Schedule or Equipment. This Lease and the Schedules governed hereby constitute the entire agreement between the parties herein with respect to the leasing of the Equipment. Any change or modification to this Lease or any Schedule governed hereby must be made in writing and signed by the parties hereto.

(i) To the extent permitted by applicable law, this is a "finance lease" under Section 2A-103(g) of the Uniform Commercial Code. To the extent permitted by applicable law, Lessee hereby waives any and all rights and remedies conferred upon a lessee by such applicable law (including but not limited to Article 2A of the UCC) to: (i) cancel this Lease; (ii) repudiate this Lease; (iii) reject the Equipment after the commencement of the Base Term, or, if earlier, Interim Term, with respect thereto; (iv) revoke acceptance of the Equipment; (v) recover damages from Lessor for any breaches of warranty or for any other reason; (vi) a security interest in the Equipment in Lessee's possession or control for any reason; (vii) deduct all or any part of any claimed damages resulting from Lessor's default, if any, under this Lease; (viii) "Cover" by making any purchase or lease of, or contract to purchase or lease, Equipment in substitution for that due from Lessor; (ix) recover any general, special, incidental or consequential damages, for any reason whatsoever; and (x) obtain specific performance, replevin, detinue, sequestration, claim and delivery or the like for any Equipment identified to this Lease. To the extent permitted by applicable law, Lessee also hereby waives any rights now or hereafter conferred by statute or otherwise which may require Lessor to sell, lease or otherwise use any Equipment in mitigation of Lessor's damages as set

otherwise use any Equipment in mitigation of Lessor's damages as set forth in Section 14 of this Lease or which may otherwise limit or modify any of Lessor's rights or remedies under Section 14.

Any action by Lessee against Lessor for any default by Lessor under this Lease, including breach of warranty or indemnity, shall be commenced within one (1) year after any such cause of action accrues. LESSOR AND LESSEE EACH WAIVES ANY RIGHT TO TRIAL BY JURY IN ANY LITIGATION ARISING HEREFROM OR IN RELATION HERETO.


[LESSEE'S INITIALS]

(j) This Lease and each Schedule incorporating its terms and conditions shall be governed by and construed according to the internal laws of the State of Illinois as of the date hereof, without giving effect to any principle of conflicts of law or choice of law that would otherwise make the law of any other jurisdiction the law governing this Lease or any such Schedule.

(k) Lessor and Lessee each waive a trial by jury in any action, proceeding or counterclaim brought by either against the other on any matter however arising out or in any way connected with this Lease or any Schedule.

(l) LESSOR MAKES NO WARRANTY, EXPRESS OR IMPLIED, REGARDING THE LESSEE'S TAX OR ACCOUNTING TREATMENT OF THIS LEASE OR ANY SCHEDULE.

(m) So long as no Event of Default, or event which, with the giving of notice or the passage of time, or both could become an Event of Default, exists, Lessor will not interfere with Lessee's quiet enjoyment and use of the Equipment during the Interim Term or Base Term.

In Witness Whereof, Lessor and Lessee have executed this Lease and caused their respective seal to be affixed thereto as of the date first above written.

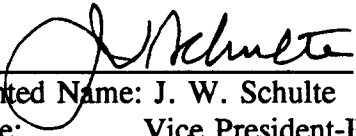
LESSOR:

HELLER FINANCIAL LEASING, INC.

By: _____
Printed Name _____
Title _____

LESSEE:

**DULUTH, MISSABE AND IRON RANGE
RAILWAY COMPANY**


By:  _____
Printed Name: J. W. Schulte
Title: Vice President-Finance
and Chief Financial Officer

1A/212950

In Witness Whereof, Lessor and Lessee have executed this Lease and caused their respective seal to be affixed thereto as of the date first above written.

LESSOR:

HELLER FINANCIAL LEASING, INC.

By: 
Printed Name: Dominick J. Masciantonio
Title: Vice President

LESSEE:

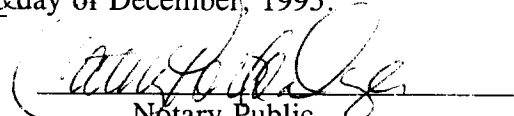
DULUTH, MISSABE AND IRON RANGE
RAILWAY COMPANY

By: _____
Printed Name: J. W. Schulte
Title: Vice President-Finance
and Chief Financial Officer

STATE OF Georgia)
)ss
COUNTY OF Curry)

I, CATHY PORTO DUK, the undersigned, a Notary Public in and for said County, in the State aforesaid, DO HEREBY CERTIFY THAT Dominick J. MASCANTONIO, Vice President of Heller Financial Leasing, Inc., personally known to me to be the same person whose name is subscribed to the foregoing instrument, appeared before me this day in person, and acknowledged that as such VP, he signed, sealed and delivered the said instrument as his free and voluntary act, and the free and voluntary act of said corporation, for the uses and purposes therein set forth.

GIVEN under my hand and notarial seal this 22nd day of December, 1995.

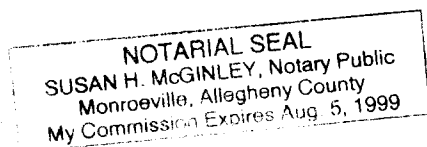


Notary Public
Expires 4-22-99

STATE OF PA)
)SS
COUNTY OF Allegheny)

I, Susan H. McGinley, the undersigned, a Notary Public in and for said County, in the State aforesaid, DO HEREBY CERTIFY THAT J.W. Schulte, Vice President-Finance and Chief Financial Officer of Duluth, Missabe and Iron Range Railway Company, personally known to me to be the same person whose name is subscribed to the foregoing instrument, appeared before me this day in person, and acknowledged that as such Vice President-Finance and Chief Financial Officer, he signed, sealed and delivered the said instrument as his free and voluntary act, and the free and voluntary act of said corporation, for the uses and purposes therein set forth.

GIVEN under my hand and notarial seal this 26th day of December, 1995.



Susan H. McGinley
Notary Public

■ DOCUMENT #: CHGO01A (06411-00001-8) 212950.6; DATE: 12/21/95; TIME: 17:35 ~

Mr. Vernon A. Williams
December 28, 1995
Page 2

Bill of Sale

Seller: Helm Financial Corporation
One Embarcadero Center, Suite 3500
San Francisco, California 94111

Buyer: Heller Financial Leasing, Inc.
500 West Monroe Street
Chicago, Illinois 60661

A description of the railroad equipment covered by the enclosed documents is:

Five (5) 3000 Horsepower EMD Model SD 40-3, six axle, locomotives bearing DMIR reporting marks and road numbers 400 through 404 inclusive.

Also enclosed is a check in the amount of \$63.00 payable to the order of the Interstate Commerce Commission covering the required recordation fee.

Kindly return one stamped copy of the enclosed documents to the undersigned.

Very truly yours,



Robert W. Alvord

RWA/bjg
Enclosures